

External Evaluation Report
Department of Economics
Florida State University
Fall 2014

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I. Introduction and Summary

I enjoyed my visit. I found a department that has made significant strides forward since the previous QER in 2006. It is being well managed and led by its current chair, Mark Isaac. In fact, there was a noticeable sense of satisfaction among all the various parts of the department. In similar visits to other economics departments, I have always found that some persons or groups will try to use the visit as an opportunity to air dissatisfactions, real or imagined, with their situation or their chair or their administration. There was none of that here. There are, of course, aspirations that are unfilled and problems that are identifiable. But there is a sense that people have the confidence that their chair and dean are working hard to solve these issues.

My report is structured pretty much as suggested by the University with sections on the undergraduate programs, the graduate programs, and the faculty. In a section titled Other Things, I try to address several questions that were raised as a result of the department self study. Finally, in the last section, I comment on the eight significant items of concern raised by the chair in the self study.

A very brief summary of the report follows. More detailed analyses are in the body of the report.

- The undergraduate program has been significantly improved since the last QER and is well situated for the foreseeable future.
- The applied masters program is an excellent idea that is well implemented. It should be encouraged to continue to flourish.
- The PhD program still needs serious thought and help. Apparently an extensive internal study has been completed since my visit. That is a good first step.
- It is a reasonable goal to improve the ranking of the department from 45th to 25th by the next QER. But the department is going to need help from the

University to get there. The biggest problem is the very bad age distribution of the faculty. There is a notable lack of young full professors – those whose work is normally the basis of a department's rank. Until that is fixed through the normal retention and promotion of Associate Professors or through the hiring of excellent young Professors, the ranking will change very little. Some progress has been made since the last QER and the chair understands what has to be done. He, however, does need help in the continued implementation.

In each section that follow, I provide some recommendations for actions that I believe are both important to consider and feasible to implement. Some of these are:

- For the PhD program, raise the TA stipend. The chair asks for a stipend of \$18,000 in his items of concern. I believe \$22,500 is a more appropriate number based on those offered by other economics programs and the disparity between fellowship and TA salaries.
- For the faculty, fix the maldistribution of salaries. The university should be embarrassed that the average salary of an Associate Professor of Economics is less than the average salary of an Assistant Professor of Economics.
- To realign the age distribution of the faculty, an absolutely vital goal for the university, allow the department to make senior level offers to replace faculty who retire. This is the most important effort if the department is to improve its ranking.

There are other recommendations in the body of the report, but the most important ones are those highlighted by the Chair in the self-study as Items of Concern. Please see my remarks on those in Section IV below.

I now turn to the details.

II. Undergraduate Program

The Department appears to be fully committed to having an excellent undergraduate program. This area has undergone significant, improving changes since the last QER. I think they are well situated for the foreseeable future.

Since the last QRE, in which some issues with the undergraduate program were identified, the Economics Department has recently undertaken a complete review and reforming of their undergraduate major. This process lasted more than a year.

Many were involved and care was taken to pay attention to the state system, the interface with the Principles program, course prerequisites, the number of courses in the major, interactions with minor and double major requirements, and campus-wide requirements such as computer competency. In my opinion, the department has created an excellent program that will serve the undergraduates of FSU very well. However, since these changes are recent, it will take time to develop the data needed for a serious quantitative evaluation. By the next QER, it should be possible to do such an analysis.

The introductory, or Principles, courses are excellent and the cadre of non-tenure track teaching faculty who staff them is a real asset. The faculty is highly motivated, professional, and enthusiastic. They provide a solid introduction for the thousands of FSU students who only take the intro courses and serve as excellent recruiters for those going on to the undergraduate economics major.

In the last QER, concern was expressed about undergraduate advising. They now have a specialist, Matthew Claypool, who seems to well in control of the area. He is knowledgeable, available, and personable. The only issue seems to be the growing pains of the university software system. Hopefully this will be solved soon.

III. Graduate Program

There are two distinct graduate programs: The Applied Masters Program and The PhD Program.

A. Applied Masters Program

The applied masters program is an excellent idea that is well implemented. Now that it is focused and self-contained, both the reputation and the applicant pool are growing. Among other things, the program builds on locational strength of FSU in state government. It provides students trained in quantitative techniques for a market that desires such training. The program seems healthy and not in need of anything serious.

B. PhD Program

I understand that an extensive internal QER on the graduate program has been recently completed, so my opinions may no longer be needed. But, just in case it might help, I will provide a short summary of some of the thoughts I had as a result of my review.

The major issue with the PhD program is the seemingly low retention and graduation rates. Approximately 50% of those entering leave the program or exit with a Masters degree. These numbers did decline with the class entering in 2011 (33%) but have risen again for the class entering in 2012 (41% with possibly more to come). There are two main reasons students who enter a PhD program in economics do not continue: they cannot do the work – indicated by failing to pass the core exams – or they find out it is simply not what they thought graduate economics would be.

All economics programs, even the very best, face this problem. The root of the problem is that, in US universities, there is a major difference in the level of analysis and technical requirements between most undergraduate economics programs and most economics PhD programs. Economics is significantly different from almost all other disciplines. There is a kind of culture shock that hits many undergraduates when they enter a PhD program. Economics turns from what is often an essay-based debate to a deep scientific study with models based in rigorous mathematics and statistics. For those who are not well-trained in logic, mathematics, and statistics, this is a very difficult time. Many quit because they discover that this is not what they want to do. It is possible to have taken, say, two years of math and statistics as well as a major in economics at the undergraduate level and still find that graduate work is challenging, too abstract, and not as policy oriented as the student expected. That is, an applicant may look as if they are a fit for a PhD program when in fact they are not. So neither the applicant nor the admissions committee can know for sure whether the applicant will be successful. Normally this is less of a problem with foreign students.

Many economics programs respond to these conditions in much the same way that FSU has.¹ They admit students,² granting aid to some portion of them but not all. Then what amounts to a competition ensues with the capable students remaining in the program and the rest dropping out. This is often referred to as the Chicago system since it has been used for many years at the economics department of that University and it relies on “competitive forces” to reveal who is capable and who is not. This certainly exerts a cost on both students and university but that may be necessary given the serious lack of information at the admitting stage.

Although I have not looked carefully at national numbers in some years, it does seem that the drop out rate at FSU is somewhat above average,. reasons for that are not be entirely the fault of the department.

¹ There are exceptions such as Caltech but these are generally private schools whose solutions are just not possible in a public university.

² Students are admitted to the department and not to a lab or a Professor.

Consider the following four facts that are not under the control of the department:

1. Foreign students are not allowed to be TAs.
2. TAs are paid significantly less than students on fellowships. A fellowship pays \$25,000 while a TA pays only \$17,000. The fellowship rate is competitive with other programs; the TA rate is not. For example, at Caltech, the TA rate is \$30,000 on a 12-month basis (\$22,500 on a 9-month basis).³
3. As discussed earlier, US students from US undergraduate programs are not usually well prepared for US graduate programs in economics, while foreign students often are.

Item 2 implies that the department loses many more 1st round admits who are offered TAs than those offered a fellowship. Thus, the quality of those on TA will be less than those on fellowships. Items 1 and 3 together imply that those on fellowship will generally be more prepared to begin graduate study and focus on that study than those on TA. Further, since it is often easier to predict the quality of foreign students, there is less uncertainty about the quality of those on fellowships. Together all of this implies that the pass rate on qualifying exams of those funded by a TA will be more erratic and lower than those funded by fellowship.⁴ This is what is observed in the economics department PhD program. It will continue as long as the conditions in 1-3 are not altered.

There is little that either the economics department or FSU can do about the disparity between graduate and undergraduate economics programs (item 3). It is a national phenomenon. I suspect that for political reasons, there is little FSU can do about item 1. It is too bad they cannot do what many other universities do; allow foreign students to be TAs after some demonstration of teaching and linguistic competence. Item 2, the disparity in pay between fellowship and TA, can and should be addressed by increasing the TA stipend. It does not have to be raised to \$25,000 but it should be increased to something like \$22,500. This would have a significantly positive effect on both reducing the drop out rate (by increasing the quality of the graduate admits who actually matriculate) and the quality of the teaching of the TA corps (by drawing some into teaching who would otherwise choose a fellowship⁵).

³ Admitted students are also guaranteed support for 5 years, conditional on maintaining performance in the program. Caltech does not use the Chicago approach and foreign students can be TAs, after a suitable training period.

⁴ Those who come without funding are likely to be even more erratic in their performance than those funded as TAs.

⁵ It is highly desirable for graduate students to have some teaching experience while a graduate student. It is an extra asset when entering the job market.

Some other thoughts:

- Fellowships in the economics department are primarily for the study of Experimental Economics or the study of Markets and Institutions. The implication of this, when combined with 1-3 above, is that most of the best students will gravitate to these areas, leaving other fields with less capable research assistants.⁶
- The placement of the graduates into their first jobs looks adequate, given the quality of the faculty and the program. This will improve as the faculty improves. The good news is that the department does get jobs for their grads– both masters and PhD – something other economics departments are not always doing.
- The fact that more graduates are going to post-doc positions is not surprising. This is a trend in economics in general, partly due to the slow turn around time at journals which makes more time before tenure especially attractive, and partly due to the increasing experimental nature of the profession which makes post-docs valuable to a research lab. The strength of the FSU economics department in experimental economics should put them in a good position to be a valuable supplier of post-docs for the rest of us.
- There seems to be an occasional shortage of people to TA the principles courses. A higher TA stipend would help here.
- I was surprised to find that graduate students are not assigned office space if they are not funded. It seems the department needs a bit more space. Not having an office co-located with the rest of the graduate students will definitely lower the quality of a student's graduate education and lead to further increases in drop-out rates. This can and should be fixed.

IV. Faculty

In the most recent serious rankings I could find, the FSU Economics program was ranked around 45th in 2010/11. That may be a bit higher now as a result of hires over the past 5 years or so. With downgrading of UF economics program, FSU is in

⁶ In other disciplines, this gap would be filled by programs such as those at the NSF or NIH. Unfortunately, economics is not well-funded at the NSF and reasonable grants with RA funds are very difficult to get. Some fund-raising for fields other than experimental or M&I would be timely and beneficial.

position to be the leading economics department in Florida and one of the leading in the south. The department could easily move up to a ranking of 25 nationally. But to get there requires national visibility and that requires a few more young full professors or associate professors (in the 35 to 55 age range) with active research programs.

A. Age Distribution

The current age distribution of the faculty is a bit unusual. It is heavy at the top with 10 of the 12 full professors being over 60; 5 are over 70. The distribution is also heavy at the bottom. More than 1/3 of the tenure track faculty consists of Assistant Professors. I will have more to say about the possible causes and potential cures but first let me focus on the Assistant Professors. The last years have been a good time to be hiring young faculty and the economics department has done well. I am particularly impressed with Carl Kitchens, an economic historian, who is smart, personable, and very productive. He is well on the way to tenure. I hope that FSU will be able to hang onto him and others they want to retain.

The good news in the bad age distribution of faculty is that although it may be the cause of the low ranking of the department it is also an opportunity to fix that as the senior professors retire. As that happens, it is important that the department recruit excellent faculty in the 40-55 age range as well as retain their good associate professors.

B. Salaries

What I am going to write next about hiring and retaining faculty is undoubtedly well known to FSU administrators. But I think it is worth considering as the Economics department tries to build itself into a top 25 department. There are two ways to build up the part of the faculty that FSU currently lacks. Hire them from the outside or nourish and promote them from the inside. Hiring from the outside, if successful, can lead to quick improvements in both the research environment and the ranking of the department. But it is notoriously difficult. Even though economists do move and will react to good financial offers, something like only 5% of senior offers are ever accepted. I understand that the university has an award-winner program for recruiting exactly the kind of person the department could use. Unfortunately, Economics as a profession has relatively few awards to distribute – the main one being Fellow of the Econometric Society. It is unfortunate because such persons are generally difficult to recruit unless there are special circumstances such as a spouse who has to move to Florida or a parent who needs a child to move. It is also unfortunate because there are many young economists who are known to be excellent and who will in the near future be elected as a Fellow. That type of person is easiest to recruit and would greatly enhance FSU's reputation. Letting the

department treat a few of these as “superstars” would not be very risky and could lead to dramatic results.

The second way to build up the quality of the department is to nourish and retain the quality associate professors as they become more visible in their careers. This can be easier and less expensive than recruiting Fellows of the Econometric Society. But it requires some aggressive actions on the part of the administration. In economics, a favorite time to recruit up and coming young faculty is when they are being promoted to Associate Professor or soon thereafter. The hope is to grab someone who is going to be really good. It is risky but has a high payoff. This means of course that the university at which the person is currently located must be proactive in retaining their good faculty. In particular, successful administrations anticipate the market place and in doing so can often end up paying less than they would have to once they need to match an outside offer. Additionally, anticipation reduces the chance of losing the faculty member to what I think of as the Paree Effect.⁷ Often, once a faculty member has gone to the effort of eliciting and considering an outside offer, they overcome the natural tendency to stay where they are. They begin to take the offer seriously, generate other offers, and ultimately accept one of them.

To see where FSU stands with respect to economics salaries I compare their numbers with those I know from the market that Caltech (a top 15% ranked group) competes in. The numbers are based on the previous academic year (2013-14). Non-business school departments pay new assistant professors \$115,000 - \$125,000 for nine months plus they give the person 3 or 4 ninths to be used in the first few years. A \$50,000 start-up package will also be included. The standard teaching load is 3 quarter courses per year (usually a mix of graduate and undergraduate courses). To close, a recruit will often be given 1 or 2 courses off in the first year or so. At the assistant professor level, FSU pays from \$98,000 - \$115,000 with a mean of \$107,000. This seems low to me but as long as FSU is able to hire those assistant professors they want, this is not a problem.

At Caltech, the expected nine month salary of a newly tenured economist is around \$200,000. (This can be heterogeneous because of outside offers.) At Caltech in economics, a newly tenured associate professor generally gets a 10% raise at tenure and another 10% within 5 years. They can get 20% at once if there is a retention issue. At the associate level, FSU pays \$85,000 - \$129,000 with a mean of \$102,000. This is amazingly low and should be fixed. The mean is even below that of the assistant professors! The economics department cannot afford to lose its cadre of very good associate professors. They are the core of the future.

At Caltech, full professor salaries are all over the place and, in many cases, are fairly flat at the top with the best 40 year old professors making the same as excellent 60

⁷ I take this from the lyrics –How ya gonna keep 'em down on the farm, after they've seen Paree'.

year old professors. At the full professor level, FSU pays \$97,000 to \$219,000 with a mean of \$147,000. This seems really low to me. Recruiting award-winning faculty, or even almost award-winning faculty, will certainly take higher salaries.

C. Other faculty issues

1. The theory core

The faculty is particularly strong in experimental economics. It could however use a better theory core (micro-economics, game theory, and econometrics) to drive the ranking and provide support for the applied fields. Of course every economics department wants to do that, so the competition makes it hard to do. The department may have to take some risks in these areas at the associate professor level and let their hires develop in place.

2. Delays in publications

I was asked by the Chair and others to comment on the long lags, at economics journals, between the first submission of a manuscript and its publication. This is a serious problem for untenured faculty at the time they are considered for tenure – usually 6 years after the PhD. One would like to see a couple of publications in the top tier general interest journals as well as a number of others in, what are loosely called, field journals. Because of the publication lags, it can take 2-3 years for someone who aims high to find out that their paper is rejected even after a number of revise-and-resubmits. That means they can lose up to 3 years waiting and end up in a field journal. Had they aimed low they would have gotten a reasonably rapid publication, albeit not a top tier one. This means the list of publications on a vita after 5 or 6 years as an assistant professor may not be a good indicator of persons eventual capability. I wish I had an answer but I don't. It is a problem for all universities and I am not aware that any have really solved it.

The delayed publication rate has caused, what I believe, to be an unusually high turnover rate among 5th and 6th year assistant professors in the profession as they move to a new department in order to “restart the clock”. This is a potential source of recruits for those departments willing to “take a risk on a person whose publication record is not yet stellar.” But committees and administrators at the College and University level need to be aware of the issue and allow some leeway when hiring at that level. The fact that it is a non-tenured hire leaves room to take some risk.

3. Diversity in hiring

It seems to me that the department is doing as much as they can in this dimension.

Finding and hiring African-Americans is a problem across all of economics. There are very few in graduate schools and those that graduate receive offers from everyone and are quickly snapped up by the top 5 departments. The department is well aware of the need for serious affirmative action in hiring. They nationally advertise every position. They look for the best candidate. They document this to the university every year.

They actively make offers to female candidates (in a much higher proportion than are on their faculty) because their turn-down rate is high. Tallahassee seems to be a community less suited for single females. Nevertheless, they have tenured two women whom they hope to move gracefully to promotion to Full Professor.

The department had a promising female assistant professor who developed a dual career issue that the department took all the way to the Provost to get an offer for the spouse. After all that effort, the couple left anyway because they thought Tallahassee was too small a city. I want to congratulate the administration on their efforts here.

4. Interdisciplinary research

A question was raised: Is there too much interdisciplinary work? Presumably the fear is that the research could be too diverse to allow for those synergies that come from numbers of faculty working in the same area. Much of the interdisciplinary work in the economics department consists of a single faculty member doing what they want to. Given the age distribution of the faculty this should not be surprising. As long it doesn't affect the basics in the grad program, and it doesn't seem to be, it shouldn't be a problem.

There are at least two areas of active interdisciplinary research that are excellent and good for the long-run growth of the department: Political Science and Computational Finance. These should be encouraged.

V. Other Things

A. The Koch gift

Several people asked me about the Koch gift. In particular they were wondering whether it had inappropriately skewed hiring and graduate student training. The gift certainly had that potential, especially if the Koch's had an active role in the evaluation and recruiting of new faculty. My sense, however, is that the department chair has managed to get this under control. The gift now seems to have no more of an effect on the department than any other private gift does.

This was an unfortunate past episode that should now cause no more problems.

B. Panama

One question was "Can you determine why there is ambiguous authority regarding the Department's role in the offsite programs at Republic of Panama and Panama City?" It seems that the Chair did not know that he had the authority over that department. I believe this has now been rectified. The situation should be soon back under control.

C. Development

The development officer I interview opined that the economics department was the best, from a development point of view, in the college. The department certainly seems to be successful in raising funds. I don't think there is anything to worry about here, especially since the ground rules about gifts like the Koch's are better understood. I would encourage both the department and the university to try to broaden the scope of their fundraising beyond Experimental Economics and M&I. Among other things that would help in the necessary faculty recruiting.

D. Prerequisite courses

Another question was "For the baccalaureate program, has the department reviewed lower level prerequisite courses to ensure that the program is in compliance with State-approved common prerequisites?"

My understanding is that the department is continually doing this.

VI. Items of Concern

In their self-study, the department listed eight items of concern. I will comment specifically on some of those here.

Items 1, 2, 4, and 7 concern the hiring and retention of faculty. I have commented on that in Section IV. I completely agree with the department's concerns and encourage the appropriate administrators to react positively to their requests:

- Replace some retirements with another senior faculty member to help align the bad age-distribution of the current faculty and improve the probability that the department rank can improve to 25th.
- Find a way to anticipate the market and respond to raids before a written offer is received.
- Provide all Assistant Professors with 3 courses off over 6 years. This is absolutely necessary to be competitive and to give these younger professors a serious chance at tenure. In their interview with me, several assistant professors expressed the thought that "a reduced teaching load is more important than salary." Given the large publication lags and the intense pressure to produce work in 6 years for tenure, I completely understand their position.
- Find a way to improve the troublesome salary situation of the associate professors. That their mean salary is less than the mean salary of the assistant professors should be an embarrassment to the university. That their salaries are so low relative to the marketplace means it is highly likely that they will become targets of opportunity for other universities and, inevitably, some will leave. This would make the age-distribution problem even worse.

I discussed item 3, about TA stipends, in the section on the graduate program. As I state there, I would be more aggressive than Chair. I would like to see a stipend of around \$22,500. The reasons are in section III.B.

I have discussed item 6, about publication lags, at some length in Section IV.C.2. I have nothing more to add.

I discussed item 5 in IV.C.2. I have no comment on item 8.